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A HISTORICAL PERSPECTIVE ON THE AUDITOR'S ROLE: THE EARLY EXPERIENCE OF THE AMERICAN RAILROADS

Abstract: The paper explores the origins of the auditing profession in the United States. It is suggested that the development of the audit function in this country can be traced to reporting by internal and shareholder auditors in the American railroads during the middle of the nineteenth century. Evidence is presented that a recognition of the need for audit independence existed, and that the provision of advisory services and reports on internal control by American auditors have been an inherent part of the auditor's role from that time.

Introduction

In recent years the structure of the auditing profession in the United States has been subjected to much scrutiny by governmental agencies and the general public. This attention has been intensified with the passage of the Foreign Corrupt Practices Act of 1977, which contains requirements for a system of internal accounting controls in most publicly held companies, and establishes responsibility for the adequacy of such controls with management and corporate directors. As a result, increased attention is being devoted to the role of corporate internal auditors and directors' audit committees in assuring that accounting controls are adequate and functioning as intended.

The objective of this article is to examine these roles during their initial development in the United States. The origins of the corporate auditing function in America will be traced among the nineteenth century railroads. Evidence of an early recognition of the need for audit independence will be cited, and the use of auditors and audit committees for evaluating, advising, and reporting on internal control will be described. It will be seen that pressures to extend the auditors' role have existed since the development of the corporate form of business organization in the United States.

Development of the Audit Function in the United States

The practice of auditing in the United States developed in response to two dominant influences associated with changing economic conditions. The first of these was the development of companies with geographically dispersed operations, which resulted from the westward movement of commerce on the continent. A second was the separation of business ownership from its management, which occurred with the development of the corporation. Each of these influences was evident in the railroad companies of the nineteenth century.

The Dispersion of Financial Operations

In the United States after the year 1800, the westward migration from the cities of the East Coast created an interest in improving transportation. The first companies engaged in this industry were the canals, turnpikes, and shipping concerns, all of which operated over major distances but whose financial transactions were normally centralized in one location. It was not until the rapid railroad expansion began in the 1840s that companies began to conduct financial transactions at widely dispersed geographic locations. This development required the appointment of internal auditors to monitor the processing of these transactions.

Most frequently audit duties were assigned collaterally to employees whose primary job functions were in bookkeeping. The Baltimore and Ohio Railroad in 1847 employed a chief clerk whose responsibilities included compiling and auditing receipts and reports from agents and conductors.¹ The Pennsylvania Railroad appointed in 1852 a middle manager with the title "controller and auditor," to whom reported two "assistant auditors."² The practice of assigning to accountants collateral duties in auditing continued for the rest of the nineteenth century and was adopted by later railroads in the Midwest and South. For example, the Illinois Central and the Hannibal and St. Joseph railways utilized weekly and monthly earnings reports signed by auditors in the 1870s and 1880s. This practice, intended to discover and prevent errors and frauds by railway agents, marked the creation of the modern internal audit function.

The Separation of Ownership From Management

A second influence on the evolution of auditing in the United States was the separation of the management of companies from

their ownership. As corporations were created, the need developed for reporting to stockholders on the performance of management. The railroads, as the first major enterprises in the United States to rely primarily on outside capital, were also among the first to encounter the need for reporting to the sources of that capital. Examinations by parties independent of management were frequently used to validate management's reports during the nineteenth century. It has been reported that the New York, Ontario and Western Railway was audited by public accountants in 1883, along with numerous other roads in the 1890s.³ Yet the origins of the practice in the United States can be further traced to shareholder audits performed during the middle of the century.

One of the earliest examples of reporting on the custodianship of management occurred with the Philadelphia and Reading Railroad. The line had opened in 1839 and its managers issued annual reports beginning in 1843. However, many creditors and stockholders were apparently dissatisfied with the disclosure provided in these reports. In 1845, they appointed a committee of investigation, consisting of one director and three other shareholders, which was charged with determining answers to fifteen specific questions.

The committee responded with a forty-seven page report, concluding with a statement that they found nothing which was intended to "withhold, disguise or conceal the facts."⁴ The investigation was possibly in response to an 1845 publication which had been critical of the road's accounting and disclosure practices.⁵ This committee was created in America at the same time as the passage of the first of the Companies Acts in Britain, which required the formation of audit committees by certain companies in that country.⁶

The specific charge of the committee of investigation was published in its report and has been reproduced in Exhibit 1. This charge is significant because it illustrates the kind of information desired by stockholders in annual reports, at a time when very little precedent and no legal reporting requirements had been established. This early audit committee was requested to achieve certain objectives which later became associated with the independent audit. These included an examination of the amounts and classifications of revenues and expenses, a determination that liabilities were not understated in annual reports, and the disclosure of accruable expenses arising from liabilities incurred with business associates. The stockholders also requested certain kinds of information not currently provided in audit reports, perhaps foreshadowing

a further expansion of the present-day auditor's role. For example, the committee was asked to provide an appraisal of the condition of the railroad's fixed assets and to verify the accuracy of interim (weekly and monthly) financial reports being released in the newspapers of the time. Additionally, the committee was asked to disclose managements' budgeted receipts and expenditures, to compare them with actual results, and to provide financial forecasts. These stock and bondholders apparently felt that the kinds of financial information which is useful to management is also useful to external parties in evaluating the performance of management.

A similar form of reporting was carried out beginning in 1848 by David A. Neal, a wealthy Boston shipping magnate and railroad financier. At the request of the Philadelphia and Reading's stockholders, he conducted an extended investigation of the financial affairs of the company, and his conclusions were included in the annual reports of 1848, 1849, and 1850. Neal was not an accountant, and instead presented his findings "as a stockholder to my fellow stockholders." The reports marked an early appreciation of the need for external reporting to absentee owners on the custodianship of management.

Early American Audit Practitioners

As has been discussed, the auditor's role in the United States was evident as early as the 1840s. It will be useful to examine the evolution of the audit function until the late nineteenth century, the period of time normally considered to be the genesis of American auditing.

During the 1840s in both the United States and in Great Britain, much of the early auditing appears to have been performed by audit committees. The work of a committee appointed by the stockholders of the Philadelphia and Reading Railroad has already been described. In 1846, the Hartford and New Haven Railway followed the practice of having semiannual examinations of its secretary's and treasurer's books by a committee of two. An early auditor's opinion, rendered in handwriting by this committee and later included in an annual report, has been replicated in Exhibit 2. Similar opinions were recorded on the Hartford and New Haven's ledger accounts with other companies. The annual reports of the Western Railroad contained references to a "Committee on Accounts" beginning in 1851, and those of the Boston and Worcester beginning in 1855. The Board of Directors of the Western Air Line Railroad created an auditing committee of three, including the corporate secretary, in 1856. The committee was charged with auditing all vouchers before

they were paid by the treasurer. This committee was further required "to keep a record book in which shall be entered the number of each account, the name of the person, the character of the account, an entry against the name stating whether the account is allowed or rejected, the amount, with a margin left for the receptor's signature." The New York and New Haven Railroad was utilizing an audit committee in 1862, and the Illinois Central in 1875. McKee has concluded that the use of an audit committee was an accepted business custom by the year 1870.⁷

Many of the early audit committees in the United States appear to have been utilized to investigate frauds within their companies. By the middle of the nineteenth century, independent accountants and bookkeepers were in practice in most major cities, and frequently they were engaged to aid audit committees in their investigations.⁸

One such situation occurred in 1850 when the Committee on Accounts of the Western Railroad received evidence of defalcation at its Springfield terminal. The committee found the accounts of its agent in such disarray that it was compelled to seek the assistance of a competent independent accountant.⁹ The subsequent investigation revealed a cash shortage of some \$68,000, and the accountant's work was so well regarded that in 1851 the Directors appointed an auditor as an employee of the company. The auditor's duties were "among other things, to make frequent personal examinations of the books and accounts of every agent at every station upon the Road, and to require said agents to enforce the rule of cash payments for all work done by the Corporation."¹⁰ This is one of the first instances of the use of an internal auditor in preventing fraud and insuring compliance with managerial policies.

In similar circumstances a committee of the Philadelphia and Reading Railroad in 1853 secured the services of a "competent accountant" to investigate frauds committed on the weight of coal handled by the line. This investigation resulted in the development of internal control measures to prevent future such frauds, but an internal auditor was not employed on a permanent basis.¹¹

A major financial scandal erupted concerning the New York and New Haven Railroad in 1854.¹² Upon the discovery that its president had issued about two million dollars in unauthorized stock, an auditor was appointed at the stockholders' meeting in 1855. After determining the magnitude of the loss, this accountant consolidated the three sets of books which had been used to conceal the fraud and made a number of other correcting entries.¹³ An auditor was then

employed to verify the treasurer's account balances on an annual basis until 1870.

Thus, it appears that the use of accountants with duties exclusively in auditing was adopted by some companies in order to augment the work of their audit committees. Frequently, these auditors were utilized not only in the investigation of frauds and the verification of account balances, but also in reporting on the company's financial status to stockholders. Many railroads chose to publish statements from their auditors in their annual reports.¹⁴ The Western Railroad followed this practice starting in 1852, and the Boston and Worcester in 1856. These early audit reports sometimes enumerated audit steps employed, and described internal control procedures recommended or implemented during the year. The function of the Western's auditor in 1852 was to examine the books of the road's agents; that of the Committee on Accounts was to examine the books of the treasurer.¹⁵ In the Boston and Worcester, both of these duties were performed by the auditor, while the Committee on Accounts merely satisfied itself with the adequacy of the auditor's work.¹⁶

By the 1870s many railroads were issuing annual reports which contained statistical tabulations from the major operating divisions of the company.¹⁷ Frequently, the financial portions of these reports were prepared and signed by an auditor of the company. But as has previously been mentioned, normally these employees had primary duties in bookkeeping and only collateral ones in auditing. However, there is evidence to indicate that these nineteenth century companies did recognize the need for audit independence and sometimes implemented measures to attain it.

Development of the Independence Concept

The concept of audit independence can be traced to the beginnings of Western civilization. For example, an independent accounting by public officials was required by the ancient greeks and in medieval England.¹⁸ The use of audits by monasteries, priories, and manors had created a group of professional auditors in England by the beginning of the seventeenth century.¹⁹ In eighteenth century Germany independent bookkeepers were utilized to investigate cases of bankruptcy, primarily for the discovery of fraudulent acts.²⁰ However, an independent reporting on the custodianship of business management first became widely practiced with the creation of the corporation in the United States and the limited company in Great Britain.

The British Influence on Independence

In Britain, the Companies Acts of 1845 and 1862 required the semiannual audit of accounts for certain companies by an audit committee. Because this committee acted in behalf of the stockholders, the 1845 law required that it be composed of shareholders who were not officers in the company. The British audit was primarily concerned with issues of company solvency and managerial integrity, and the prevailing view at the time was that auditors should have a vested interest in the welfare of the company.²¹

The Companies Act of 1862 relaxed this requirement, allowing the appointment of auditors who were not stockholders. A later British statute, the Friendly Societies Act of 1875, stipulated that "the Annual Returns shall be certified by some person not an officer of the society (otherwise than as Auditor thereof), carrying on publicly the business of an accountant, and if not so certified shall be deemed not to have been made." Other later acts also allowed the use of "public auditors" who were not stockholders. Pixley has suggested that this trend toward the use of independent, rather than shareholder, auditors resulted from a recognition of the need for greater accounting expertise than a shareholder typically could provide.²²

Apparently, the need for audit independence was acknowledged but not widely accepted in Great Britain as late as 1880. Brief has described a recognition of the lack of English audit independence which appeared in the pages of *The Accountant* in 1883.²³ Pixley discussed this point in detail when he lamented:²⁴

To insist on each Director holding a minimum stock in a company is undoubtedly a wise provision, but to make it a *sine qua non* for an Auditor to be a Shareholder is certainly a mistake. . . .

[A shareholder auditor] knows that in the event of his refusing to sign the accounts as they are presented to him, and they are consequently altered to show an honest statement of the Company's affairs, the market price of the shares will fall and his own property be thus depreciated. If, on the other hand, he certifies the accounts as placed before him, the market price of the shares may be kept up or even rise. . . . He knows that in the event of the failure of the company he will not be severely blamed, he will at once plead that he did his best, and that the shareholders knew he was not a professional auditor.

Although the Companies Acts provided for an audit of accounts of certain companies in Britain, it was not until the Amendment Act of 1900 that the accounts of all limited companies were required to be audited. And even this statute did not require the use of an independent auditor.²⁵

This early British concern for audit independence undoubtedly influenced the corporate auditor's role in the United States. Much of the capital which financed the early railroad expansion in this country was obtained from Great Britain, and British stockholders and creditors had the need for an independent reporting on the effectiveness of America's railroad managers.

Audit Independence in the United States

The early forms of audit practice in the United States have been described, and it has been stated that this evolution occurred in response to factors related to the economic growth of the nation. Accompanying the increased use of auditors in American corporations was a recognition of the need for independence in the audit function. This is apparent from the attempts of many companies to provide the appearance of independence in external reporting, and to provide a measure of independence for auditors reporting to management.

An early example of external reporting on the custodianship of management, described previously, occurred with a committee formed by the stockholders of the Philadelphia and Reading Railroad in 1845. The committee was purported to be appointed independent of management; none of the committee was an officer in the company although one was a director. The conclusions of David A. Neal in 1848-50 on the Philadelphia and Reading were likewise presented as being independently obtained, although they possibly were not. The final report in 1850 concluded with a request that the Road's bondholders, many of whom were British, accept a reissue of long-term debt. This suggestion was no doubt influenced by Neal's personal interests as a stockholder.

The widespread appointment of internal auditors among the railroads in the mid-nineteenth century has been discussed. These were created by the Baltimore and Ohio, the Pennsylvania, the Western, and the Boston and Worcester railroads, among others, in order to provide an independent verification of the receipts of cash by station agents. In the latter two roads, the auditors also verified the propriety of cash disbursements by the company treasurers and

reported to stockholders on the results of their operations. In the Boston and Worcester, where the auditor worked under the supervision of the Committee on Accounts, an additional degree of independence was attained.

Some of these auditors indeed may have been independent accountants rather than full-time employees of the company. Regarding the investigation of the New York and New Haven fraud of 1854, the Road's new president stated in an annual report that, "a careful and impartial examination of the false from the genuine stock was made by skillful and disinterested accountants."²⁶ Following the discovery of frauds relating to the weight of coal hauled by the line in 1853, the Philadelphia and Reading "immediately took measures to secure the services of a competent accountant, to make the required investigation, and engaged for the purpose, Mr. J. H. Evans, who was strongly recommended by Messrs. S. and W. Welsh, and other highly respectable merchants."²⁷ Managers of the period seemed to feel that independence was necessary for the satisfactory investigation of such internal frauds.

Although independence in appearance was considered important in reports on management by the 1840s, independence in fact probably did not appear until some thirty years later. The Chicago, Burlington, and Quincy Railroad normally provided summaries of financial information in its annual reports during the 1870s which were signed by its auditor. However, in 1877 an external audit was performed covering the first twenty-seven years of the road's operations. The resulting "Special Accountant's Report" contained twenty-nine pages, suggested a method of depreciation based on "train-miles," and traced the sources of the balances in the accounts. It was signed by an "Expert in Accounts," an early example of a report to stockholders by an independent accountant.²⁸

Previous research in the history of auditing in the United States has emphasized the British influence in its development. Some writers have concluded that the first independent audits in this country were patterned after the British audit and were performed largely by visiting British auditors.²⁹ Others have suggested that American audit practice borrowed from the British but developed in response to industrial mergers during the last two decades of the nineteenth century.³⁰ From this research it can be concluded that the concept of audit independence existed in the United States during a period some forty years earlier, when the great American railroad expansion began.

Auditor Involvement in Internal Control

It has been previously reported that many of the early independent accountants in the United States were also teachers of bookkeeping by the Italian method. It was natural therefore, that many of these practitioners also provided advice to clients regarding the opening and closing of books, and improvements in bookkeeping methods.³¹ Pixley stated that an auditor should "be able to suggest a better method, the adoption of which might not only save expense but also ensure greater accuracy in recording the transactions of the Company."³² But there is evidence that the early American auditors and accountants extended advice to their clients not only on bookkeeping methods, but also on improvements in operating procedures and on internal controls.

Initially, these advisory services were provided in response to those frauds that the auditors were engaged to investigate. The Western Railroad's Committee on Accounts, investigating a cash shortage at its Springfield terminal in 1850, found that station agents were not being required to promptly submit cash receipts or to provide documentation in support of expenditures. The Committee recommended the appointment of a new bookkeeper at the terminal, and as was previously discussed, the appointment of an internal auditor to discourage such occurrences in the future. The committee also recommended that cash bonds were required from every cashier employed by the Road.³³ By 1857, the internal auditor was regularly reconciling bank balances and verifying all stock issues. In explaining an increase in receivables, the auditor commented:³⁴

The system by which the freight business is managed, appears to be quite satisfactory. Each station is made accountable for all that goes to it, and this accountability is watched and checked by one who has nothing to do with collecting the freight money, and who reports all delays in collections, to the proper authority.

Thus, the auditor expressed an early recognition of the need for segregation of duties. In the report issued in 1857, the same auditor described having implemented a voucher system to authorize payment for expenditures, and commented on control weaknesses observed in providing free passes to passengers and in collections from a connecting railroad.³⁵

Upon discovery of frauds on the weight of coal in 1853, an audit committee of the Philadelphia and Reading Railroad promptly made adjustments to internal procedures in order to prevent reoccur-

rences. In 1854, the auditor investigating the stock fraud in the New York and New Haven Railroad, consolidated the treasurer's accounts with those of the engineer and the superintendent in order to provide greater control over stock issues. Thus, these early auditors felt a responsibility not only to determine the effects of frauds which had been discovered, but also to report the existence of control weaknesses that might lead to new frauds, and to implement changes in systems and procedures to prevent them.

It can be seen that from the birth of the corporate audit function in America, a major portion of the auditor's role has been devoted to obtaining evaluations of internal accounting control and making recommendations for improvements. Sometimes the results of these evaluations were published in annual reports to stockholders and creditors. And during the nineteenth century these steps were taken, not as a result of pressure from some governmental agency or legislative body, but as a result of the economic benefits to be derived from them.

Conclusion

In the United States, the auditor's role can be traced to the 1840s where it developed in response to changes in the economic structure of the country and was probably influenced by an already established auditing profession in Great Britain. Because auditing in the United States evolved in response to economic factors, it placed its emphasis on an accurate reporting of the results of operations and on the safeguarding of corporate assets. Evidence has been presented that by the middle of the nineteenth century, auditors were involved in reporting to stockholders on the accuracy of management's financial data, in reporting on strengths and weaknesses in internal control, and in providing advice to management on needed improvements in controls and procedures. American businesses recognized that if the auditor is to be effective in these roles, then some degree of audit independence would be necessary.

From the experience of these early practitioners, it can be concluded that the auditor's role extends beyond that of merely reporting on the accuracy of account balances. Auditors today, as in the nineteenth century railroad companies, should be experts on accounting methods, advisors to management on internal accounting controls, and independent reporters to external parties on their observations during audit examinations. This role for the auditor was developed for sound economic reasons which appear to be as valid today as they were over a century ago.

Exhibit 1

**Instructions to an Early Audit Committee
From Bondholders and Stockholders**

Specification of matters to be inquired into and reported upon by a Committee appointed by the Bondholders and Stockholders of the Reading Rail Road Company to investigate the affairs of that Company.

I. To ascertain from the books and vouchers of the Company whether all sums of money received during the year ending the 30th November, 1844, have been satisfactorily accounted for; whether the sums of money expended have been carried to the proper accounts; and whether the annual statement published by the Managers of the expenditures of that year, and the statement contained in the circular of March 10th last, correctly represent all the expenditures chargeable to both these accounts, and particularly whether the items of the cost of transportation of coal as stated and classified in that report and in the circular are correctly stated.

II. If all such expenditures have not been charged to the regular accounts then to state what sums of money have not been properly accounted for, what items are incorrectly charged to either of such accounts, and what has been the actual cost of transportation particularly of coal during that year, the accounts being correctly made up and the expenditures charged to the right accounts, according to the views of the Committee, stating the amount of business and classifying the items, of the cost of transportation in the manner adopted in the annual report and circular.

III. To make the same examination of the account since the 30th of November, 1844, as far as the same have been made up, and if they are found to be correct in all the particulars specified above, to report what has been the cost of transportation of coal per ton during the period, covered by these accounts, and if they are not found to be correct, then to state what has been the cost of transportation of coal during that period, the accounts being correctly made up and the expenditures charged to the right accounts, according to the views of the Committee.

IV. To examine particularly the whole Bond account of the Company, and the vouchers for the same, with the view to report on the following inquiries.

1st. Whether or not the Annual Report of the Managers for the year ending the 30th of November, 1844, correctly stated the amount and character of the Bonds which had been issued up to that time?

Exhibit 1 (Continued)

Instructions to an Early Audit Committee
From Bondholders and Stockholders

2nd. Whether any other or more correct statement of such Bonds had been prepared for the Stockholders, which statement was suppressed with a view to deceive the Stockholders or the public, and particularly parties then in negotiation with the Company?

3rd. Whether any Bonds had then been negotiated on which the discount, or loss suffered, ought to have been and was not charged?

4th. Whether the losses on Bonds negotiated during the year ending the 30th of November, 1844, are correctly stated in the circular of the 10th of March?

5th. Whether during that year any new issue of Bonds was made in exchange for Bonds cancelled, and what was the character respectively of such Bonds so exchanged?

6th. What amount of Bonds have been paid since the 30th of November, 1844, and what the amount negotiated or in any way finally issued by sale or in payment of liabilities since that time, and at what rate have they been so negotiated?

7th. What is the amount of Bonds outstanding which have been absolutely negotiated by the Company?

8th. What is the total amount of the losses, commissions and charges on the whole amount of Bonds absolutely negotiated?

9th. What is the amount of Bonds now outstanding as collateral security, for the liabilities of the Company, stating the amount and character of those liabilities?

V. To ascertain whether the weekly and monthly statements of the gross receipts of the Company during the current year, as reported by the Transportation Clerk, and published in the newspapers, are true statements of such receipts; or whether any portion of the receipts so stated have been returned, or are agreed to be returned, by the Company, to the parties by whom they are paid, in such a way as to produce deception; or whether these statements represent, fairly and correctly, the actual gross receipts?

VI. What is dumpage? What was the amount of this charge of dumpage, in the year ending the 30th of November, 1844? What has it been since that time? What has it averaged per ton during those periods respectively?

VII. Have the rents of the wharves at Richmond been included in the weekly and monthly statements of the receipts published by the

Exhibit 1 (Continued)

**Instructions to an Early Audit Committee
From Bondholders and Stockholders**

Transportation Clerk since the 30th of November, 1844; and if not, what will be the amount of the same?

VIII. What amount of money has been expended during the current year, or has been agreed to be paid, as bonuses to boatmen or to owners of boats, to induce them to run from Richmond; and if any, should such bonuses have been deducted from the weekly or monthly statements above referred to; or are they of such a nature as to be more properly chargeable as a part of the expenditures of the Company. If any such bonuses have been paid, to what account have they been carried?

IX. The condition of the roadway bridges and track, generally, of the road; are they kept in such good, proper order and repair, as on well-managed roads generally, and the state of the several kinds of rail in use on the road, and their adequacy to sustain for the future the heavy trade now on the road?

X. The condition of the machinery on the road, particularly that used in the transportation of coal; whether it is kept in such good working order and repair as on well-managed railroads generally?

XI. The condition, state of repair and efficiency, of the wharves, machine shops, water station depots, founderies, &c., of the Company.

XII. To state what is the total amount of the liabilities of the Company at the present time, as nearly as the same can be made out; what has been the total increase of the liabilities since the 30th of November last, and for what purpose this increase of liabilities has been incurred, specifying particularly what outlays for construction, and what additions to the Company's property, have been made during the period.

XIII. What estimates were made by the managers, of the amounts of the business receipts and expenses of the current year; what have been the actual results, thus far, and what will be the probable result of the operation for the entire year, stating, so far as is necessary, the grounds for any estimate which may be made of these results.

XIV. What will be the probable amount of the liabilities of the Company, after the payment of the coupons falling due on the first of January next, taking into view the receipts and expenditures of the month of December next, as far as the same can be estimated;

Exhibit 1 (Continued)

Instructions to an Early Audit Committee
From Bondholders and Stockholders

and what further additions will it be necessary to make in the investments of the Company, to accommodate the probable increase of the coal trade for 1846, with the grounds for such estimate.

XV. To investigate and report upon such other matters as may be brought to the notice of the Committee, in relation to the condition and management of the Company's affairs and property, in such manner as they may deem proper and useful to the stock and bondholders.

Source: Eleutherian Mills Historical Library, Greenville, Wilmington, Delaware.

Exhibit 2

Report of an Early Audit Committee

To the Stockholders of the Hartford &
New Haven Rail Road Company —

The undersigned, appointed by the stockholders at their last annual meeting to audit the accounts of the company, would respectfully report,

That we have made the usual semi-annual examination of the books and accounts of the Secretary and Treasurer and the vouchers for the same, which have been freely exhibited to us.

We have found the accounts correct, and the books continue to be kept in a manner to merit our entire approval.

All of which is respectfully submitted

C. Bosnell	}	Auditing Com.
M. A. Tuttle		

Hartford September 10th 1850.

Source: Archives of the New York, New Haven and Hartford Railroad, Baker Library, Harvard University.

FOOTNOTES

- ¹Chandler, *The Visible Hand*, p. 100.
- ²Chandler, *The Visible Hand*, p. 105.
- ³Carey, p. 26. Edwards, p. 48.
- ⁴Philadelphia and Reading Railroad, *Report of a Committee of Investigation*.
- ⁵Ellet.
- ⁶Edwards, p. 7. Littleton, p. 289. Pollins, p. 338.
- ⁷McKee.
- ⁸Edwards, p. 46. Holmes.
- ⁹Salsbury, p. 268.
- ¹⁰Western Railroad, *Annual Report of the Directors*, 1852, p. 6.
- ¹¹Philadelphia and Reading Railroad Company, *Report of a Committee to Investigate the Frauds on the Weight of Coal*.
- ¹²Stover, p. 35.
- ¹³New York and New Haven Railroad Company, *Report of the Board of Directors to the Stockholder*, 1855, p. 21.
- ¹⁴Previts and Merino, p. 58. Holmes.
- ¹⁵Western Railroad, *Annual Report of the Directors*, 1852, p. 6.
- ¹⁶Boston and Worcester Railroad, *Report of the Directors*, 1857, p. 22.
- ¹⁷Boockholdt, p. 20.
- ¹⁸Brown, p. 155. Littleton, p. 260.
- ¹⁹Woolf, p. 155.
- ²⁰Gassmann.
- ²¹Chatfield, p. 114.
- ²²Pixley, p. 161.
- ²³Brief, p. 289.
- ²⁴Pixley, p. 152.
- ²⁵Brown, p. 318.
- ²⁶New York and New Haven Railroad Company, *Report of the Board of Directors to the Stockholders*, 1857, p. 7.
- ²⁷Philadelphia and Reading Railroad Company, *Report of a Committee Appointed to Investigate the Frauds on the Weight of Coal*.
- ²⁸Chicago, Burlington, and Quincy Railroad, *Report of the Directors*, 1877.
- ²⁹Anyon. Moyer.
- ³⁰Merino. Previts and Merino.
- ³¹Edwards, p. 45.
- ³²Pixley, p. 153.
- ³³Western Railroad, *Annual Report of the Directors*, 1851.
- ³⁴Boston and Worcester Railroad, *Report of the Directors*, 1856, p. 26.
- ³⁵Previts and Merino, p. 60.

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